

CONFIDENTIAL

I. PROBLEM:

Should the Director at this time seek additional funds to construct our proposed new building in accordance with our original plans so as to house all of our Departmental personnel and activities in one building?

II. ASSUMPTION:

If we asked for any additional funds we would ask for the total necessary to accommodate all Departmental activities and personnel in one building. (\$12 to \$13 million dollars.)

III. FACTS:

25X9 A. The original estimate which was agreed to by the General Services Administration and the Bureau of the Budget and submitted to the Congress with our request for an authorization and appropriation was \$50 million - to accommodate all of our Departmental activities - .

B. The Congress has authorized and appropriated \$46 million and has directed "that the Agency make every effort to construct a building to accommodate all of its headquarters personnel within the sum provided and....that none of these funds be spent in such a way as to make it necessary for the Congress to authorize additional funds at a later date." (Tab A)

25X9 C. Last Fall we agreed with the General Services Administration and Harrison & Abramovitz that we could not construct an adequate building for \$46 million dollars. Further study indicated that we could erect a building for about of our original goal) by leaving out of it certain activities which required a large amount of space in relation to the number of people occupying it, i.e., Printing and Reproduction, TSS laboratories, and certain full-time training activities. We decided to proceed with our planning

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along these lines, leaving open the question as to whether or not we might at some later date request legislation which would permit us to place all of our activities in one building, or at least at one location.

D. Construction costs have risen about 9% since we presented our original request to the Congress in the Spring of 1955. In other words, due to rising construction costs alone we can now buy about \$4 million less building for our money than we could then - the picture may get worse before we let a construction contract.

E. Current estimates indicate that:

1. To construct a building to accommodate our original space requirements (all Departmental personnel and activities) would probably cost \$58 or \$59 million dollars - \$12 to \$13 million more than we are now authorized.

2. We cannot construct for \$46 million dollars as large a building as we had thought possible last Fall, and it seems probable that in a building which we can construct for \$46 million we will be able to accommodate only slightly more than - this means leaving out an additional which present plans do not contemplate.

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F. 1. Tangible savings to the taxpayer, if we could all be in one building, would be about \$3,200,000 per annum.

2. Leaving out Printing & Reproduction, TSS laboratories, and certain training activities as now planned reduce these savings by about 50%.

3. Leaving out additional personnel will cause a further corresponding reduction.

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G. In a letter dated 6 December 1956 the Director of the Budget advised us that the President desired to avoid the impact of additional Government spending on the national economy at the present time, that we should minimize our plans for new construction during this period of extremely high business activity, that plans should be prepared and held in abeyance until there appeared to be some lessening of the intense pressure in this area and that we should proceed now with essential construction projects only. (Tab B) We replied to this letter on 21 December 1956 stating our firm belief that it was in the Government's best interests to proceed with the construction of our new building. While our funds are included in the President's budget, we still have to obtain permission from the Bureau of the Budget or the President before we actually let our construction contract. (Tab C)

H. We have also received a letter from the Secretary to the Cabinet quoting minutes of a 14 December 1956 Cabinet Meeting at which the President personally announced as a part of his budget policy that "the rate of expenditures for construction for which obligational authority either is now available or may be granted by the Congress is to be held to the economic minimum and requests for new obligational authority for construction are to be made for essential projects only in order that federal spending will not increase the competing pressures for money, manpower, materials and equipment." (Tab D)

I. In a letter dated 23 January 1957 the Director of the Budget has advised us that the President desires that "any proposals by departments or agencies for new legislation involving increase of new obligational authority or expenditures not specifically provided for in the budget or which cannot be covered within budget totals will be rejected and held to be 'not in accord with the President's program' unless the President otherwise directs." (Tab E)

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IV. DISCUSSION:

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A. Based on facts A. through F. above, a strong argument can be made that we should request legislation to accomplish our original purpose, and, in fact, that it would be quite inappropriate for us not to do so. Facts G. through I., however, indicate that the Executive Branch might deny us permission to make such a request of the Congress and it seems almost certain that the President's personal permission would be necessary.

B. Assuming that the President would grant permission, which is not at all certain, it will surely be a controversial matter in the Congress. We know that such a request would be sympathetically received by some key members of the Congress and almost certainly it would be quite unsympathetically received by others. Those who would oppose us would probably do so primarily because they believed we did not need so many people in Washington, and, secondly, because of the cost. Even those who would be sympathetic would not be likely to defend our Departmental strength. In fact, few, if any, really understand our need for this number of people in Washington. The controversy and resultant publicity would focus attention on the Agency which might be undesirable at this time. If we were successful it would probably be only with considerable difficulty.

C. Conceivably, a combination of Executive Branch reluctance to undertake major construction at this time and congressional controversy over the matter could result in the Agency being denied permission to let its construction contract for an indefinite period.

D. Although it is highly desirable to undertake all of our construction at once, it is possible to leave some units out of the building and it is feasible to add to it or to construct a separate building at the same location to accommodate all of our employees at a later date.

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E. If we are going to request additional authority, legislation should be introduced at a very early date. If not, we should advise certain key members of the Congress of the facts and our plan of procedure.

V. CONCLUSION:

That we should not seek additional authorization and funds at this time.

VI. RECOMMENDATIONS:

A. That we continue, and if possible expedite, our present planning for a \$46 million dollar building.

B. That as soon as we can determine how many people the building will accommodate we designate those additional units which will not move to the new building and adjust our internal plans accordingly.

C. That we advise appropriate key members of the Congress of our plan of action with the understanding that if we are unsuccessful in our efforts to reduce our personnel so as to get all or nearly all of them in this building we may request an additional authorization and appropriation at some later date.

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84th Congress
2d Session

HOUSE OF REPRESENTATIVES

REPORT
No. 2864

SUPPLEMENTAL APPROPRIATION BILL, 1957

July 21, 1956.---Ordered to be printed

Mr. CANNON, from the committee of conference, submitted the following

CONFERENCE REPORT

(To accompany H. R. 121138)

E X T R A C T

CHAPTER III

CENTRAL INTELLIGENCE AGENCY

The conference committee approves of \$49,000,000, the amount allowed by the House of Representatives and the Senate for construction of the headquarters for the Central Intelligence Agency. The committee directs that the Agency make every effort to construct a building to accommodate all of its headquarters personnel within the sum provided, and directs that none of these funds be spent in such a way as to make it necessary for the Congress to authorize additional funds at a later date. The committee further directs that none of these funds be obligated or spent until the Director of Central Intelligence has obtained from the appropriate local authorities written commitments for the construction of roads, sewage treatment plants, public transport, and other local facilities which are deemed necessary to serve the site selected.

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EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

Washington 25, D. C.

6 December 1956

My dear Mr. Dulles:

In connection with his current review of departmental requests for the preparation of the 1958 Budget, the President expressed concern at the large number of increases proposed. He asked me to call your attention to the desirability of avoiding the impact of additional Government spending on the national economy at the present time. With business activity at a new high, with competing demands for labor, equipment, and money the Government should not add to the inflationary pressures. The President suggested that you minimize your plans for new construction and even major repairs during this period of extremely high business activity. Plans should be prepared and held in abeyance until there appears to be some lessening of the intense pressures in this area, and you should proceed now with essential projects only.

Sincerely yours,

/s/ Percival F. Brundage

Director

**Honorable Allen W. Dulles
Director
Central Intelligence Agency
Washington 25, D. C.**

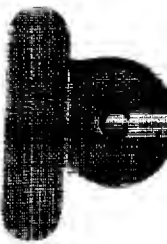
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21 December 1956

The Honorable Percival F. Brundage
Director
Bureau of the Budget
Washington 25, D. C.

Dear Mr. Brundage:

This is in reply to your letter of 6 December 1956 conveying the President's suggestion that we minimize our plans for new construction, and even major repairs, during the present period of extremely high business activity. It is my understanding that this policy is intended to apply only to construction in the United States.

According to present plans the maximum expenditure for stateside construction by this Agency for the remainder of Fiscal Year 1957 and for Fiscal Year 1958, exclusive of expenditures for the new headquarters building, will amount to approximately \$335,000 and \$1,000,000 respectively. We will certainly give most careful consideration to the possible curtailment or elimination of this construction during this period.

With regard to the new building, we had anticipated incurring construction obligations in Fiscal Year 1958 of approximately \$42,000,000. The actual expenditures, according to estimates by the General Services Administration, would amount to a maximum of \$8,000,000. As you know, this building is of extreme importance to the Agency. We anticipate that after the building is completed and occupied savings of approximately \$3,200,000 will accrue each year to the Government and that our efficiency and security will be improved tremendously. In addition, the longer we delay construction of the building the more it will cost the Government. For example, since March, 1955, when our original estimates were made, the "Engineering News Record" building cost index has increased by 8.9 per cent. Of great importance also is the fact that the planned construction of a bridge (or tunnel)...with its required approaches...across the Potomac River near the end of Constitution Avenue will necessitate the elimination of the major portion of existing CIA

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headquarters space. Thus, even with expedited construction of our new building there will be a race for the finish line.

We appreciate very much your agreement to include estimated obligations of \$42,000,000 for the building in the CIA Budget for Fiscal Year 1958 so that our forward planning will not be interrupted. We feel that it is in the Government's best interest to proceed with the construction of this building without delay, and look forward to discussing the matter with you when the date on which we might expect to let a construction contract is more nearly at hand.

Sincerely,

/s/
Allen W. Dulles
Director

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THE WHITE HOUSE

Washington

December 20, 1956

Dear Mr. Dulles:

Transmitted herewith for your information and action is an extract from Cabinet Record of Action RA - 56-63 from the meeting of Friday, December 14, 1956. This extract is a statement of budget policy set forth by the President at this meeting and is applicable to the entire Executive Branch.

"1. The Budget Outlook

ACTION:

The President set forth the following principles of budget policy which are to guide the Administration for the remainder of FY 1957 and for FY 1958:

- a) New hiring is to take place only after a review has demonstrated that a vacated position cannot be abolished or filled by transfer.
- b) The rate of expenditures for construction for which obligational authority either is now available or may be granted by Congress is to be held to the economic minimum, and requests for new obligational authority for construction are to be made for essential projects only, in order that federal spending will not increase the competing pressures for money, manpower, materials and equipment.
- c) It will be the personal responsibility of each Department and Agency Head to implement these principles within his organization, and to hold his operating subordinates correspondingly responsible."

Sincerely,

/s/ Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

The Honorable Allen Welsh Dulles
Director of Central Intelligence
Washington, D. C.

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EXECUTIVE OFFICE OF THE PRESIDENT
Bureau of the Budget
Washington 25, D. C.

January 23, 1957

My dear Mr. Dulles:

The President has directed me to bring to your attention the following instructions which he wishes the head of each department and agency to follow in order to carry out the fiscal policy which he has established. Please see that the President's wishes are fully understood and followed in your agency.

1. Any proposals by departments or agencies for new legislation involving increase of new obligational authority or expenditures not specifically provided for in the budget or which cannot be covered within budget totals will be rejected and held to be "not in accord with the President's program" unless the President otherwise directs.

2. No supplemental estimates for authorizations or appropriations will be recommended unless the funds can be made available by transfer or by adjustments within the budget totals of the respective department or agency, or unless the President otherwise directs.

3. Each department and agency head will reaffirm and pursue with vigor the program already adopted by the Administration progressively to reduce Government expenditures, with the idea of holding 1957 expenditures for the balance of the fiscal year and 1958 expenditures below the amounts estimated in the budget.

4. Each department will report periodically to the Bureau of the Budget (for consolidation and submission to the President) on the results of this program.

If, under unusual circumstances, special Presidential consideration becomes necessary under paragraphs 1 or 2 above, it is provided for in the usual process of handling legislation or supplemental estimates in accordance with Budget Circular Nos. A-19 and A-41 respectively. Additional instructions as to agency participation in reporting to the President under paragraph 4 will be issued subsequently.

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Budget Circular A-10 outlines certain other responsibilities with respect to the budget. It is requested that you take particular steps to assure that all officers and employees of your agency having responsibility in budgetary matters are thoroughly familiar with this Circular and comply therewith.

Sincerely yours,

Percival Brundage

Director

Honorable Allen W. Dulles
Director, Central Intelligence
Agency
Washington 25, D. C.

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